

State of Maine)	Docket No. 2001-240
Public Utilities Commission)	December 26, 2001
)	
Maine Public Utilities Commission)	Stipulation
Investigation of Maine Public Service)	
Company's Standard Cost Revenue)	
Requirement)	

The undersigned, being parties to this proceeding, agree as follows:

1. Purpose. This Stipulation is intended to finally and completely resolve the level of recovery of Maine Public Service Company's (MPS) recoverable stranded cost during the period March 1, 2002 through February 29, 2004 (The Rate Effective Period).

2. Stranded Cost Recovery. MPS's total recoverable stranded cost for the Rate Effective Period is the amount shown on Attachment A to this Stipulation, which Attachment is made a part of this Stipulation. The total annual amount of MPS's stranded cost recoverable through the Rate Effective Period shall be \$11,540,000 as shown on ST-1, p. 1 of Attachment A to this Stipulation.

3. Special Rate and Contract Discounts. The deferred amount of \$1,654,164, from the special discount contracts between MPS, on the one hand, and McCain Foods, Inc. and J. M. Huber Corporation, on the other, will be amortized over eight years and included in stranded cost as shown on ST-1, p. 2 of Attachment A.

4. Sales Forecast. For the purpose of this Stipulation only and for the purpose of calculating stranded cost recovery during the Rate Effective Period, the parties agree that MPS's total retail sales shall be:

3/1/02 - 2/28/03	524,524 MWH
3/1/03 - 2/29/04	527,147 MWH

In order to maintain its annual stranded cost revenue recovery at \$11,540,000 during the second year of the Rate Effective Period, MPS shall reduce its stranded cost rate to reflect the additional 2,623 MWH in sales in that year.

4. Maine Yankee Adjustments. For the purpose of this Stipulation only and in order to calculate the Maine Yankee recoverable stranded cost during the Rate Effective Period, the parties agree as follows:

- (a) Maine Yankee's total O&M Budget shall be deemed to be \$2 million for calendar year 2002 and \$1.5 million for each of calendar years 2003 and 2004 subject, however, to any adjustments that may be required as a result of paragraph (c) below;

- (b) Recoverable stranded cost shall not include the costs of the ISFSI collections, Texas low level waste compact payments and any increase in decommissioning expense beyond that included in Maine Yankee stranded costs shown on Attachment A, ST-4, p. 1. If any of these costs are charged to MPS after March 1, 2002, MPS will defer these costs and shall be entitled to seek this recovery in rates in the next general rate case following such charge;
- (c) MPS agrees to be bound by the Commission's Order for the other Maine owners of Maine Yankee in Dockets 2001-239 and 232 regarding the inclusion of certain DOE litigation expenses and FERC rate case expenses within Maine Yankee's annual O&M budget; and
- (d) MPS shall be permitted to retain for its shareholders 15% of its share of the Maine Yankee NEIL terminating distribution refund; it shall flow through to its customers the remaining 85% of its share of this refund by reducing its deferred fuel revenues. This adjustment is shown on Attachment A, ST-3, p. 3.

5. Rate Treatment of Certain Special Discounts. MPS shall not recover from customers \$135,000 of the revenue delta, annually, for discounted rates Rate AH, special Rate C, Rate F and EDR and various special rate contracts with industrial customers. Because these amounts are already reflected in MPS's T&D rates, MPS shall record this \$135,000, on an annual basis, on its books of account as a regulatory liability and shall reflect this disallowance as an adjustment to its overall T&D revenue requirement at the time of its next T&D rate case.

6. Accounting Orders. In determining the amount of stranded cost recovery for the Rate Effective Period shown on Attachment A, MPS has incorporated certain accounting methodologies to the various elements of stranded costs. Consequently, MPS has requested, and by approval of this Stipulation, shall receive the following accounting orders:

- (a) Consistent with its January 24, 2000 Stipulation in Docket 98-577 (as approved by this Commission by Order dated February 17, 2000), (i) MPS will accrue carrying costs on its unrecovered fuel balance during the Rate Effective Period at its net of tax cost of capital rate as authorized by the Commission from time to time during that Period, which rate is presently 7.98% and (ii) during the Rate Effective Period, MPS will amortize the Wheelabrator-Sherman buydown costs at the rate of \$1,451,000 per annum.
- (b) MPS will amortize over eight years, as shown on Attachment A, the deferred amount of \$1,654,164, representing the discount resulting from a May 22, 2000 Power Purchase Agreement between MPS and J. M. Huber Corporation and an April 28, 2000 Power Purchase Agreement between MPS and McCain Foods, Inc., which contracts were approved by this Commission in Docket Nos. 2000-447 and 2000-441, respectively. MPS will also accrue carrying costs on its unrecovered special contract discounts at its net of tax cost of capital rate as authorized by the Commission from time to time during the Rate Effective Period, which rate is presently 7.98%.

- (c) In order to attain an annual revenue requirement of \$11,540,000 during the Rate Effective Period, MPS will increase its deferred fuel balance as reflected on Attachment A, ST-3, p. 3.
- (d) In order to accomplish the disallowance described in paragraph 5 above, MPS will record \$135,000, annually, on its books of account as a regulatory liability until its next general T&D rate case.

7. Stipulation Not Precedential. The making of this Stipulation by the parties shall not constitute precedent as to any matter of law or fact, except as provided herein, nor shall it prevent any party from making any contention or exercising any right, including rights of appeal, in any other Commission proceeding or investigation or other trial or action.

In Witness Whereof, the Parties have caused this Stipulation to be signed by their respective attorneys.

MAINE PUBLIC SERVICE COMPANY

December 26, 2001

By
Stephen A. Johnson, General Counsel

OFFICE OF THE PUBLIC ADVOCATE

December __, 2001

Stephen G. Ward, Public Advocate